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**Introduced by Senator Lewis**

February 18, 1999

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An act to amend Section 11580.1 of the Insurance Code, and to amend Section 16451 of the Vehicle Code, relating to automobile insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 519, as introduced, Lewis. Automobile insurance: limited coverage policies.

Existing law specifies certain provisions that are required to be contained in a policy of automobile insurance, and specifies other optional provisions that may be contained in a policy. Existing law generally provides that a policy covering an owned or leased vehicle affords coverage to the named insured as well as any to other person using the vehicle with the express or implied permission of the insured and within the scope of that permission, with limited exceptions.

This bill would authorize an insurer to issue a policy of automobile insurance that exclusively covers the named insured and does not cover any other person whatsoever, including, but not limited to, any person using the motor vehicle with the insured's express or implied permission.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 11580.1 of the Insurance Code is  
2 amended to read:

1 11580.1. (a) No policy of automobile liability  
2 insurance described in Section 16054 of the Vehicle Code  
3 covering liability arising out of the ownership,  
4 maintenance, or use of any motor vehicle shall be issued  
5 or delivered in this state on or after the effective date of  
6 this section unless it contains the provisions set forth in  
7 subdivision (b). However, none of the requirements of  
8 subdivision (b) shall apply to the insurance afforded  
9 under any such policy (1) to the extent that such  
10 insurance exceeds the limits specified in subdivision (a)  
11 of Section 16056 of the Vehicle Code, or (2) if such policy  
12 contains an underlying insurance requirement, or  
13 provides for a retained limit of self-insurance, equal to or  
14 greater than the limits specified in subdivision (a) of  
15 Section 16056 of the Vehicle Code.

16 (b) Every policy of automobile liability insurance to  
17 which subdivision (a) applies shall contain all of the  
18 following provisions:

19 (1) Coverage limits not less than the limits specified in  
20 subdivision (a) of Section 16056 of the Vehicle Code.

21 (2) Designation by explicit description of, or  
22 appropriate reference to, the motor vehicles or class of  
23 motor vehicles to which coverage is specifically granted.

24 (3) Designation by explicit description of the purposes  
25 for which coverage for ~~that~~ *those* motor vehicles is  
26 specifically excluded.

27 (4) Provision affording insurance to the named  
28 insured with respect to any owned or leased motor  
29 vehicle covered by such policy, and to the same extent  
30 that insurance is afforded to the named insured, to any  
31 other person using such motor vehicle, provided the use  
32 is by the named insured or with his or her permission,  
33 express or implied, and within the scope of such  
34 permission, except that: (i) with regard to insurance  
35 afforded for the loading or unloading of any such motor  
36 vehicle, the insurance may be limited to apply only to the  
37 named insured, a relative of the named insured who is a  
38 resident of the named insured's household, a lessee or  
39 bailee of the motor vehicle, or an employee of any such  
40 person; and (ii) the insurance afforded to any person



1 other than the named insured need not apply to: (A) any  
2 employee with respect to bodily injury sustained by a  
3 fellow employee injured in the scope and course of his or  
4 her employment, or (B) any person, or to any agent or  
5 employee thereof, employed or otherwise engaged in the  
6 business of selling, repairing, servicing, delivering,  
7 testing, road-testing, parking, or storing automobiles with  
8 respect to any accident arising out of the maintenance or  
9 use of a motor vehicle in connection therewith. As used  
10 in this chapter, “owned motor vehicle” includes all motor  
11 vehicles described and rated in the policy.

12 (c) In addition to any exclusion as provided in  
13 paragraph (3) of subdivision (b), the insurance afforded  
14 by any such policy of automobile liability insurance to  
15 which subdivision (a) applies, including the insurer’s  
16 obligation to defend, may, by appropriate policy  
17 provision, be made inapplicable to any or all of the  
18 following:

19 (1) Liability assumed by the insured under contract.

20 (2) Liability for bodily injury or property damage  
21 caused intentionally by or at the direction of the insured.

22 (3) Liability imposed upon or assumed by the insured  
23 under any workers’ compensation law.

24 (4) Liability for bodily injury to any employee of the  
25 insured arising out of and in the course of his  
26 employment.

27 (5) Liability for bodily injury to an insured or liability  
28 for bodily injury to an insured whenever the ultimate  
29 benefits of that indemnification accrue directly or  
30 indirectly to an insured.

31 (6) Liability for damage to property owned, rented to,  
32 transported by, or in the charge of, an insured. A motor  
33 vehicle operated by an insured shall be considered to be  
34 property in the charge of an insured.

35 (7) Liability for any bodily injury or property damage  
36 with respect to which insurance is or can be afforded  
37 under a nuclear energy liability policy.

38 (8) Any motor vehicle or class of motor vehicles, as  
39 described or designated in the policy, with respect to  
40 which coverage is explicitly excluded, in whole or in part.

1 The term “the insured” as used in paragraphs (1), (2),  
2 (3), and (4) shall mean only that insured under the policy  
3 against whom the particular claim is made or suit  
4 brought. The term “an insured” as used in paragraphs (5)  
5 and (6) shall mean any insured under the policy including  
6 those persons who would have otherwise been included  
7 within the policy’s definition of an insured but, by  
8 agreement, are subject to the limitations of paragraph (1)  
9 of subdivision (d).

10 (d) Notwithstanding the provisions of paragraph (4)  
11 of subdivision (b), or the provisions of Article 2  
12 (commencing with Section 16450) of Chapter 3 of  
13 Division 7, or Article 2 (commencing with Section 17150)  
14 of Chapter 1 of Division 9, of the Vehicle Code, the  
15 insurer and any named insured may, by the terms of any  
16 policy of automobile liability insurance to which  
17 subdivision (a) applies, or by a separate writing relating  
18 thereto, agree as to either or both of the following  
19 limitations, the agreement to be binding upon every  
20 insured to whom such policy applies and upon every third  
21 party claimant:

22 (1) That coverage and the insurer’s obligation to  
23 defend under the policy shall not apply nor accrue to the  
24 benefit of any insured or any third party claimant while  
25 any motor vehicle is being used or operated by a natural  
26 person or persons designated by name. These limitations  
27 shall apply to any use or operation of a motor vehicle  
28 including the negligent or alleged negligent entrustment  
29 of a motor vehicle to such designated person or persons.  
30 The insurer shall have an obligation to defend the named  
31 insured when all of the following apply to such designated  
32 natural person:

33 (A) He or she is a resident of the same household as the  
34 named insured.

35 (B) As a result of operating the insured motor vehicle  
36 of the named insured, he or she is jointly sued with the  
37 named insured.

38 (C) He or she is an insured under a separate  
39 automobile liability insurance policy issued to him or her

1 as a named insured, which policy does not provide a  
2 defense to the named insured.

3 An agreement made by the insurer and any named  
4 insured more than 60 days following the inception of the  
5 policy excluding a designated person by name shall be  
6 effective from the date of the agreement and shall, with  
7 the signature of a named insured, be conclusive evidence  
8 of the validity of the agreement.

9 That agreement shall remain in force as long as the  
10 policy remains in force, and shall apply to any  
11 continuation, renewal, or replacement of the policy by  
12 the named insured, or reinstatement of the policy within  
13 30 days of any lapse thereof.

14 (2) That with regard to any such policy issued to a  
15 named insured engaged in the business of leasing vehicles  
16 for those vehicles that are leased for a term in excess of  
17 six months, or selling, repairing, servicing, delivering,  
18 testing, road-testing, parking, or storing automobiles,  
19 coverage shall not apply to any person other than the  
20 named insured or his or her agent or employee, except to  
21 the extent that the limits of liability of any other valid and  
22 collectible insurance available to that person are not  
23 equal to the limits of liability specified in subdivision (a)  
24 of Section 16056 of the Vehicle Code. If the policy is issued  
25 to a named insured engaged in the business of leasing  
26 vehicles, which business includes the lease of vehicles for  
27 a term in excess of six months, and the lessor includes in  
28 the lease automobile liability insurance, the terms and  
29 limits of which are not otherwise specified in the lease,  
30 the named insured shall incorporate a provision in each  
31 vehicle lease contract advising the lessee of the provisions  
32 of this subdivision and the fact that this limitation is  
33 applicable except as otherwise provided for by statute or  
34 federal law.

35 (e) Nothing in this section or in Section 16054 or 16450  
36 of the Vehicle Code shall be construed to constitute a  
37 homeowner's policy, personal and residence liability  
38 policy, personal and farm liability policy, general liability  
39 policy, comprehensive personal liability policy,  
40 manufacturers' and contractors' policy, premises liability

1 policy, special multiperil policy, or any policy or  
2 endorsement where automobile liability coverage is  
3 offered as incidental to some other basic coverage as an  
4 “automobile liability policy” within the meaning of  
5 Section 16054 of the Vehicle Code, or as a “motor vehicle  
6 liability policy” within the meaning of Section 16450 of  
7 the Vehicle Code, nor shall any provision of this section  
8 apply to a policy that provides insurance covering liability  
9 arising out of the ownership, maintenance, or use of any  
10 motor vehicle in the Republic of Mexico issued or  
11 delivered in this state by a nonadmitted Mexican insurer,  
12 notwithstanding that any such policy may provide  
13 automobile or motor vehicle liability coverage on insured  
14 premises or the ways immediately adjoining.

15 (f) On and after January 1, 1976, no policy of  
16 automobile liability insurance described in subdivision  
17 (a) shall be issued, amended, or renewed in this state if  
18 it contains any provision that expressly or impliedly  
19 excludes from coverage under the policy the operation or  
20 use of an insured motor vehicle by the named insured in  
21 the performance of volunteer services for a nonprofit  
22 charitable organization or governmental agency by  
23 providing social service transportation. This subdivision  
24 shall not apply in any case in which the named insured  
25 receives any remuneration of any kind other than  
26 reimbursement for actual mileage driven in the  
27 performance of those services at a rate not to exceed the  
28 following:

29 (1) For the 1980–81 fiscal year, the maximum rate  
30 authorized by the State Board of Control, which shall also  
31 be known as the “base rate.”

32 (2) For each fiscal year thereafter, the greater of  
33 either (A) the maximum rate authorized by the State  
34 Board of Control or (B) the base rate as adjusted by the  
35 California Consumer Price Index.

36 No policy of insurance issued under this section may be  
37 canceled by an insurer solely for the reason that the  
38 named insured is performing volunteer services for a  
39 nonprofit charitable organization or governmental

1 agency consisting of providing social service  
2 transportation.

3 For the purposes of this section, “social service  
4 transportation” means transportation services provided  
5 by private nonprofit organizations or individuals to either  
6 individuals who are senior citizens or individuals or  
7 groups of individuals who have special transportation  
8 needs because of physical or mental conditions and  
9 supported in whole or in part by funding from private or  
10 public agencies.

11 (g) Notwithstanding the provisions of paragraph (4)  
12 of subdivision (b) of this section, or the provisions of  
13 Article 2 (commencing with Section 16450) of Chapter 3  
14 of Division 7 of, or Article 2 (commencing with Section  
15 17150) of Chapter 1 of Division 9 of, the Vehicle Code, a  
16 Mexican nonadmitted insurer and any named insured  
17 may, by the terms of any policy of automobile insurance  
18 for use solely in the Republic of Mexico to which  
19 subdivision (a) applies, or by a separate writing relating  
20 thereto, agree to the limitation that coverage under that  
21 policy shall not apply to any person riding in or occupying  
22 a vehicle owned by the insured or driven by another  
23 person with the permission of the insured. The  
24 agreement shall be binding upon every insured to whom  
25 any such policy applies and upon any third party  
26 claimant.

27 (h) No policy of automobile insurance that provides  
28 insurance covering liability arising out of the ownership,  
29 maintenance or use of any motor vehicle solely in the  
30 Republic of Mexico issued by a nonadmitted Mexican  
31 insurance company, shall be subject to, or provide  
32 coverage for, those coverages provided in Section  
33 11580.2.

34 *(i) Notwithstanding paragraph (4) of subdivision (b),*  
35 *an insurer may offer, issue, and deliver a policy of*  
36 *automobile insurance that, with respect to any owned or*  
37 *leased motor vehicle covered by the policy, affords*  
38 *insurance exclusively to the insured, and does not afford*  
39 *insurance to any other person whatsoever, including, but*  
40 *not limited to, any other person using the motor vehicle*

1 covered by the policy with the insured's express or  
2 implied permission.

3 SEC. 2. Section 16451 of the Vehicle Code is amended  
4 to read:

5 16451. ~~An~~ Except as otherwise provided in  
6 subdivision (i) of Section 11580.1 of the Insurance Code,  
7 an owner's policy of motor vehicle liability insurance shall  
8 insure the named insured and any other person using any  
9 motor vehicle registered to the named insured with the  
10 express or implied permission of the named insured,  
11 against loss from the liability imposed by law for damages  
12 arising out of ownership, maintenance, or use of the  
13 motor vehicle within the continental limits of the United  
14 States to the extent and aggregate amount, exclusive of  
15 interest and costs, with respect to each motor vehicle, of  
16 fifteen thousand dollars (\$15,000) for bodily injury to or  
17 death of each person as a result of any one accident and,  
18 subject to the limit as to one person, the amount of thirty  
19 thousand dollars (\$30,000) for bodily injury to or death of  
20 all persons as a result of any one accident and the amount  
21 of five thousand dollars (\$5,000) for damage to property  
22 of others as a result of any one accident.

